

SMR TECHNOLOGIES BERHAD

(Company No: 659523-T)

Interim Financial Reports for the first quarter ended 31 March 2007**A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING****A1. Basis of Preparation**

These interim financial statements of the Group are unaudited and have been prepared in accordance with FRS134₂₀₀₄ “Interim Financial Reporting” and Chapter 9 Part K the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The Interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2006.

There are no changes in the accounting policies and methods of computation adopted in this quarterly report.

Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised FRS effective for the financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held For Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the FRS above does not have a significant financial impact on the Group.

A2. Audit Report of the preceding Annual Financial Statements

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2006 was not subject to any qualification.

A3. Seasonal or Cyclical Factors

The Group's operations are not subject to any seasonal or cyclical factors.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the current quarter under review, there were no unusual items or events, which affected the assets, liabilities, equity, net income or cash flows of the Group.

A5. Material Change in estimates

There were no changes in estimates of amounts reported that have a material effect on the results for the current quarter under review.

A6. Issuances, cancellations, repurchases, resale and repayment of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current quarter under review.

A7. Valuation of Property, Plant and Equipment

There was no revaluation on property, plant and equipment of the Group during the current quarter under review.

A8. Dividend Paid

The tax-exempt interim dividend of 1 sen per share was paid out to shareholders of the Company on 5th February 2007.

A9. Segmental Information

Only the segmental analysis for revenue is available by product and services and region as the company's accounting system was not set up to analyse profitability due to the sharing of resources.

Segmental reporting of the Group's revenue by Products and Services is as follows:

Product and services	Jan – March 07 RM	% over total sales
HRDPower Software	182,832.25	5.41%
HRDPower.net Software Sales	1,487,250.00	44.03%
Technical Implementation Fees	242,395.00	7.18%
Annual Maintenance Charges	55,149.38	1.63%
Training Power	380,000.00	11.25%
HRDWebvarsity	330,000.00	9.77%
Trainers Virtual Campus	60,000.00	1.78%
Competency Power	210,000.00	6.22%
Consulting & Outsourcing	430,135.64	12.73%
Total	3,377,762.27	100.00%

Geographical reporting of the Group's revenue is as follows:

Country/Region	Jan – March 07 RM	% over total sales
Malaysia	3,175,876.02	94.02%
Asia	77,055.25	2.28%
Australia	3,046.00	0.09%
USA	69,247.50	2.05%
Qatar	-	-

UAE	52,537.50	1.56%
Bahrain	-	-
Total	3,377,762.27	100.00%

A10. Material Events Subsequent to 31 December 2006

There were no material events subsequent to the current financial quarter ended 31 December 2006 up to the date of this report which is likely to substantially affect the results of the operations of the Group other than stated below:-

1. Tenancy Agreement between a subsidiary company, SMR HR Technologies Sdn Bhd and Dr. Palaniappan on 12 February 2007 for the rental of an office space at Suite 2A-23-1, Block 2A, Level 23, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur. The monthly rental is RM6,655.00 for a period of two years commencing 1 January 2007.
2. Payment of tax-exempt interim dividend at 1 sen per share on 5th February 2007.

A11. Changes in the Composition of the Group

On 14 February 2007, the Company incorporated a wholly owned subsidiary company, SMR USA Incorporated. ("SMR USA") to cater for the Group's future business in United States of America and surrounding countries. The principal activity of the Company is the provision of human resource consulting and related services. The issued and paid up capital of SMR USA is US\$1000.00 of which 100% of the issued and paid-up share capital of SMR USA are presently held by the Mr Ajay, our director, the appointed nominee for registration purposes. As at 30 April 2007, Mr Ajay is authorised to remain the nominee for the company pending future plans to sell or transfer some of the shares for potential local partners in USA.

A12. Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets as at 31 March 2007 and up to the date of this report.

A13. Capital Commitments

There were no material capital commitments other than for the requirements in the normal course of business as at 31 March 2007 and up to the date of this report.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

B1. Review of Performance

For the first quarter ended 31 March 2007, the Group recorded revenue of RM3.38 million and profit before tax of RM1.60 million as compared to RM2.97 million and RM1.63 million respectively in the first quarter ended 31 March 2006.

The increase in growth for revenue is attributed from sales of new products and services both locally and overseas, while the slight drop in profits is mainly attributable to higher depreciation from asset acquisition at the new office and higher marketing expenses overseas.

B2. Comparison of Current Quarter Results with the Preceding Quarter

The Group recorded an increase of 21.64% in its revenue to RM3.38 million in the first quarter of 2007 against RM2.78 million in the fourth quarter of 2006 whilst profit before tax increase by 43.18% to RM1.6 million in the first quarter of 2007 as compared to RM1.12 million in the fourth quarter of 2006.

Although more than substantial growth in sales were achieved for the new products, namely Trainers Virtual campus and Competency Power, the increase has been negated by the much lower sales recorded from its HRD Power software due to the focus in the marketing of the new products and the opening new markets in Middle East and USA.

Higher depreciation charges also contributed to the decline in the profits for the Quarter due to acquisition of new assets for the new office at Plaza Sentral.

B3. Prospects for the next financial year

The current trend of strong sales growth achieved in USA and the Middle Eastern countries supports our forecast of strong potential growth and demand for our products and services in these regions. With the listing proceeds and continued process of searching for more strategic partnerships abroad, we would be in a better position to compete more effectively and deliver more efficiently our products and services globally.

Barring any unforeseen circumstances, the Board reasonably believes that the Group will post positive growth in the revenue and results for 2007.

B4. Variance on Profit forecast and Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in a public document.

B5. Taxation

No taxation was provided for during the period due to its wholly-owned subsidiary, SMR HR Technologies Sdn Bhd being granted Pioneer Status pursuant to its MSC status entitlement by the Ministry of International Trade and Industry and Ministry of Finance. The tax-exempt period has been extended for another five years with effect from 30 December 2006.

B6. Profit on Sale of Unquoted Investment and/or Properties

There was no disposal of unquoted investment or properties during the financial quarter under review.

B7. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities during the financial quarter under review.

B8. Status of Corporate Proposals

Status of corporate proposals announced:-

1. On 6 November 2006, the Company announced that it had incorporated a subsidiary company known as SMR HR Services Sdn. Bhd. ("SMR HRS") on 1 November 2006 to cater for the Group's future business expansion needs. The issued and paid up capital of SMR HRS was 100 ordinary share capital of RM1.00 each of which 98 shares are held by the Company.

On 7 February 2007, the Company announced that it had acquired the remaining 2 ordinary shares of RM1.00 each for a consideration of RM1.00 per ordinary shares, thereby making SMR HRS a wholly owned subsidiary of the Company.

SMRHRS is already in operations and has since contributed to the revenue of the group.

2. On 7 March 2007, the Company announced that it had incorporated a subsidiary company known as SMR USA Incorporated ("SMR USA") on 14 February 2007 to cater for the Group's future business expansion needs. The issued and paid up share capital of SMR USA is US\$1000 ordinary share capital of US\$1.00 each of which all the shares are held by the Mr Ajay, our director as the Company's nominee. SMRUSA is already in operations and has since contributed to the revenue of the group.

B9. Group Borrowings and Debt Securities

Particulars of the Group's borrowings denominated in Ringgit Malaysia as at 31 March 2007 are as follows:

	RM
Short term borrowings – Secured	
Bank Overdraft	-
Bankers' acceptance	-
Hire Purchase	54,873
Long term borrowings – Secured	
Hire purchase	289,762
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Total Borrowings	<u>344,635</u>

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

B11. Material Litigations

The Company is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Company as at the date of this quarterly financial report.

B12. Earnings Per Share

(a) Basic earnings per share

The earnings per share for the current year to date is calculated by dividing the net profit attributable to shareholders of RM1,604,620 by the weighted average number of shares in issue of 100,000,000 of RM0.10 per ordinary share.

	Current quarter 31/03/2007	Current year to-date 31/03/2007
Profit attributable to ordinary equity holders of the parent (RM)	1,604,620	1,604,620
Weighted Average No. of Ordinary shares of RM0.10 par each	100,000,000	100,000,000
Basic Earnings per Ordinary Shares (sen)	1.60	1.60

(b) Fully diluted earnings per share

The Group does not have any convertible securities and accordingly a fully diluted earnings per share is not applicable.

B13. Status of Utilisation of Proceeds

The IPO proceeds were received after the Company was listed on 13 March 2006. A summary of the status of the utilisation of listing proceeds as at 31 March 2007 is as follows:

	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Shortfall	
			RM'000	%
Capital investment	4,700	3,983	717	15.3
Working capital	2,400	1,222	1,178	49.1
Research & Development ("R&D")	1,300	1,300	0	0
Listing expenses	1,500	1,505	0	0
Total	9,900	8,010	1,895	19.14

Notes:-

The Company expects to fully utilise the balance of the listing proceeds in 2007.

B14. Dividend

The Board of Directors had on 28 November 2006 declared and approved a first interim tax-exempt dividend of 1 sen per share in respect of the financial year ended 31 December 2006. The interim tax-exempt dividend amounting to RM1.0 million was paid on 5 February 2007 to all shareholders whose names appear on the Record of Depositors on 30 January 2007.

The Board will not declare any further dividend after the close of financial year ended 31 December 2006.